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C O N F I D E N T I A L COLOMBO 000335

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SCA/INS, EEB/ESC/TFS, ISN/CPI, AND NEA/IR FOR GERBER

E.O. 12958: DECL: 04/01/2013

TAGS: [EFIN](#) [KNNP](#) [KTFN](#) [IR](#) [CE](#)

SUBJECT: SRI LANKAN AIRLINES APPLICATION TO OFAC TO RELEASE  
CITIBANK'S BLOCKED IRAN OVERFLIGHT PAYMENT

REF: A. COLOMBO 281

[1](#)B. GABOR-GERBER EMAILS 3/17-18/2008

Classified By: Ambassador Robert O. Blake, Jr., reasons  
1.4 (b and d).

[1](#)1. (C) Summary and recommendation: Sri Lankan Airlines has submitted a license application to the U.S. Office of Foreign Assets Control (OFAC) requesting release of a Pounds Sterling 125,124.70 payment that Citibank's Sri Lanka branch blocked in accordance with Executive Order 13382 because the recipient was Bank Melli of Iran. The blocked transaction was intended to pay for routine civil aviation overflight fees due to the government of Iran. Embassy recommends that the Department urge OFAC to approve the Sri Lankan Airlines license application and permit the funds to be returned to the airline. End summary and recommendation.

[1](#)2. (SBU) Sri Lankan Airlines on March 27 submitted a license application to the U.S. Office of Foreign Assets Control (OFAC) requesting release of a Pounds Sterling 125,124.70 (\$244,000) payment that Citibank's Sri Lanka branch blocked in accordance with Executive Order 13382 because the recipient was Bank Melli of Iran. As described in ref A, the blocked transaction was intended to pay for routine civil aviation overflight fees due to the government of Iran. In its application, Sri Lankan noted that the government of Iran's invoice for the overflight fees required payment either to Bank Melli or to the Central Bank of Iran, and that the airline did not have a feasible way to conduct the transaction with the latter. The airline pointed out that the payment was made for "normal commercial operations"; that it was not aware of the recently-imposed U.S. sanctions on Bank Melli; and that the blocked amount imposes "a significant financial burden on the cash flows of the airline." Citibank assisted Sri Lankan Airlines in filing the OFAC license application and has consulted closely with the Embassy since it initially blocked the transaction on March 14.

[1](#)3. (C) Embassy recommends the Department urge OFAC to approve the Sri Lankan Airlines license application and permit the funds to be returned to the airline. We understand that OFAC regulations specifically allow U.S. carriers to pay the government of Iran for commercial aviation overflight fees. We note that the Government of Sri Lanka (which is the majority owner and manager of Sri Lankan Airlines) has signaled to us its desire to comply with United Nations sanctions against Iran and to avoid contributing to Iran's proliferation activities.

[1](#)4. (C) Most importantly, we believe it is in the United States' commercial interest to approve the license, as

Citibank could face significant commercial losses in Sri Lanka if it is not permitted to return the blocked funds. When the circumstances of the blocked transaction eventually become known publicly, nationalist political actors are likely to call for Sri Lankan Airlines to cease banking with Citibank. Such actors are likely to construe Citibank's compliance with U.S. law at the expense of its local client as an extension of what many critics view as U.S. and other Western governments' intrusion on Sri Lanka's sovereignty. This could easily translate into pressure on the government to revoke Citibank's license for operations in Sri Lanka.

15. (SBU) Action Request: Embassy will transmit an electronic copy of Sri Lankan Airlines' OFAC license application by unclassified email to the Sri Lanka and Iran desks. We would

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appreciate consideration of our recommendation that the Department urge OFAC to approve the application.

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